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C O N F I D E N T I A L SECTION 01 OF 03 BUENOS AIRES 000842

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TAGS: PGOV EAGR ECON ETRD EFIN AR  
SUBJECT: (C) ARGENTINE FARM CRISIS: "100 DAYS OF IRRESPONSIBILITY"

REF: BUENOS AIRES 834 AND PREVIOUS

Classified By: Ambassador E. Anthony Wayne for reasons 1.4(b)and(d)

¶1. (C) Summary: President Fernandez de Kirchner's June 17 decision to send the polemic grain export fee/tax ("retenciones") issue to congress for debate and vote was met here with guarded optimism and a palpable sense of relief. However, her bellicose speech at the June 18 pro-government rally once again has cast fuel on the flames and hardened positions. Billed as a rally for all Argentines in support of democracy, the estimated crowd of 80 to 100 thousand was comprised of the party faithful and rent-a-crowd: peronists and affiliated political parties, labor unions, pro-government social groups and piqueteros. Noticeable by their absence were Vice President Cobos (a Radical), other pro-government Radicals, and prominent peronist dissidents like Carlos Reutemann, Felipe Sola and the peronist governors from Chubut, Salta and Cordoba. Farm groups, unhappy with CFK's critical remarks, voted to extend the latest lockout for two more days. The Agriculture and Budget Commissions in the Chamber of Deputies will take up the retenciones bill in a joint session on June 23. Government officials now maintain there will be a full and open debate of the draft legislation, while discussion swirls on the constitutionality of the government's measure. Ambassador was briefed on the behind-the-scenes activities of the on-again off-again weekend negotiations and internal machinations that led to CFK's decision to send the bill to congress: while at least temporarily the relative moderates around CFK held sway, the former President and his hardline allies are still very influential and active, as are their counterparts among agricultural groups. At 100 days, there is still more evidence of short-sighted, irresponsible behavior than wise leadership and good sense. End Summary.

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Convoking the Loyal  
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¶2. (SBU) The fact that the farm sector decided to extend their strike for three days (until Friday midnight) following President Fernandez de Kirchner's (CFK) address to pro-government multitudes gathered June 18 in the Plaza de Mayo, is a good indication of the tone and message of her speech. While she said Tuesday that it was supposedly intended to "bring Argentines together," it did not sound that way on delivery. Her's was a clear message that, while the GoA may have conceded in sending the contentious grains export tax/fees ("retenciones") issue to congress for debate and vote, it was not backing down. Without mentioning them by name, she alluded to "these four people who nobody voted for" (leaders of the four main farm groups) making decisions, blocking roads, and "interfering in the democratic process." She called on the farmers to lift the road blocks (Note: The

farm groups have for some time now limited their road blocks to stopping trucks carrying grains and oilseeds. It is the principally truckers affected by the farm lockout who have been blocking the roads for the past two weeks. End Note.)

¶3. (SBU) The turnout for the rally was impressive -- between 80 and 100 thousand by most reliable estimates -- but made up exclusively of the party faithful and those paid to attend. Embassy heard numerous anecdotal stories that government loyalists were canvassing neighborhoods searching for warm bodies and offering incentives. A member of the Ambassador's residential maintenance staff asked for time off to attend the rally because he heard they were paying "good money" (he did not get leave). In his press conference on June 17 (reftel), Nestor Kirchner had distanced himself from the comments of polemic piquetero leader Luis D'Elia, saying he did not agree with D'Elia's support for Iran (on the issue of Red Notices for the AMIA terrorist bombing) or his comments that former president, one time ally and current peronist rival Eduardo Duhalde was fomenting an "economic coup." Nevertheless, D'Elia was present on the stage with cabinet members, governors, mayors legislators and union leaders.

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Prominent by Their Absence  
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¶4. (SBU) Rather than those who attended the rally (most of the peronist party leadership), what was of more interest were those who did not. Vice President Julio Cobos (from the Union Civica Radical party, "Radicales") did not attend, reportedly characterizing the rally as a "peronist" event. (Note: Cobos is also President of the Senate and, before CFK

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made her announcement to send her bill to the lower house, had called last weekend for a special session of the Senate to debate the issue. In subsequent comments to the press he has implied the Casa Rosada's measure is a vindication of his move. End Note.) Also absent were peronist governors Mario Das Neves (Chubut), Juan Schiaretti (Cordoba), and Juan Manuel Urtubey (Salta). The first has been publicly critical of the GoA's handling of the crisis for some time, and the second is dependent on rural support in Cordoba and so has been critical of the government's increase in retenciones for some time. Urtubey's absence is new, however, and is being interpreted by some as desirous of creating some distance politically with the Casa Rosada. Urtubey explained his absence by referring to the difficult situation in the province due to the prolonged road blockages, and sent a letter of support. It is important to note that both Das Neves and Urtubey were recently elected as vice presidents of the newly reconstituted peronist party on Nestor Kirchner's slate of candidates.

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Farmers Extend Lockout  
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¶5. (SBU) Obviously unhappy with CFK's remarks very critical of the farm sector at the pro-government rally, Argentina's four main agricultural organizations decided late on June 18 to extend this fourth round of the strike until midnight on Friday, June 20. The farmers will continue to boycott sales of grains and oilseeds for export. Although farm leaders made it clear that transit of beef, milk, perishable goods, and general cargo should not be blocked, it is likely that some "self-organized" local farmers truckers will ignore that limitation and block all trucks in some parts of the country.

¶6. (SBU) In concert with its decision to extend the strike, the farm organizations announced that this weekend they will start a series of meetings with national and provincial legislators in an effort to make them fully aware of the sector's concerns and convince congress to introduce changes to the resolution that established the variable export taxes.

On Monday, farm leaders will request a meeting with President Fernandez de Kirchner to establish a working group to address the rest of their sector's complaints, including distorting policies covering milk prices, exports of wheat and corn, cattle supplies, and rural economies.

¶ 7. (SBU) The farm sector was particularly offended by CFK's speech in which she accused the four farm leaders of being undemocratic, seeking to destabilize her administration, and blaming them for the supply shortages created by road blockades during the conflict. Press reports also indicate that the farm leaders are considering bringing a slander lawsuit against the peronist party for running television advertisements promoting its rally in which photographs of the four farm leaders were shown with captions indicating that they were responsible for causing shortages. The farm groups maintain that they have not supported blocking perishable food products or any other cargo except grains and oilseeds to which the export taxes apply. They argue that independent truckers have been blocking transit on the roads.

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Debate Over Legislative Debate  
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¶ 8. (SBU) The initial message from GoA officials following CFK's June 17 announcement on the retenciones legislation was that the congress could only vote the bill up or down with no amendments or modifications. The farm groups, opposition politicians - and even some peronists politicians -- were highly critical of this posture and the GoA has since changed its public tune stating that the debate on the draft legislation will be completely open. The GoA's private message to the peronist leadership in both houses, according to press reports however, is quite different. In a closed door meeting with Cabinet Chief Alberto Fernandez just prior to the rally, the press reports that Fernandez quashed the idea of an open debate and the possibility of modifying the legislation. With strong majorities in both houses of congress, and party loyalty still strong, it is expected that the legislation should pass as the executive submitted it. However, individual legislators with rural constituencies will face strong pressure at home to work to modify the legislation and the government could lose a few votes, beyond those already voicing their opposition. Constitutional experts and analysts continue to debate whether these are taxes, duties or fees, which institution (executive or

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legislative) has authority to establish the levies, whether that authority can be abrogated, and whether these fees are subject to constitutionally-mandated co-participation with the provincial governments.

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Comment: A Look Behind the Scenes  
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¶ 9. (C) A prominent local historian, Natalio Botano, titled his opinion piece in La Nacion June 19 "100 days of irresponsibility." While placing most of the blame for the current situation on the government, he states that there is more than enough blame to go around and that passion and pride are overruling judgment. A key insider contact of the Ambassador provided some insight into the seesaw struggle over the handling of the retenciones issue in the Casa Rosada over the last five days, a struggle between the hardliners (Nestor Kirchner, Production Minister Julio De Vido and Domestic Commerce Secretary Moreno) and the moderates (Cabinet Chief Alberto Fernandez and Legal Secretary Carlos Zannini) with CFK in the middle. The result has been numerous mixed signals and a less-than-consistent policy. According to the contact, last week, CGT head Hugo Moyano was authorized to sit down with the farm leaders to discuss a way out (Alberto Fernandez previously had the negotiating lead but was constantly being overruled by Nestor Kirchner).

Apparently, Moyano's efforts were well received, the farm leaders found him reasonable, and it was felt progress was being made. Moyano's lowkey mandate, however, was pulled and those discussions stopped. On June 14-15, Cabinet Chief Alberto Fernandez, with the President's approval, authorized another interlocutor to meet confidentially with the farm group leaders with apparently three possible options being discussed for reducing the new export tariffs. These secret discussions were making good progress, but they were also halted when the gendarmeria arrested a popular farm leader in the afternoon of Saturday, June 14, and then Nestor Kirchner and others close to him launched a rally Saturday night in the Plaza de Mayo. On Monday, June 16, Fernandez again got CFK's OK to engage again secretly with the farm leaders. The farm leaders were supposedly offered the option of some compromise on the tariffs -- divide the difference between the March 10 tariff rate (35 percent) and what the GoA imposed on March 11 (the sliding scale). Fernandez indicated that if the farm groups did not agree the issue would be sent to congress. The farm leaders involved reportedly demurred during late night discussions, saying they would have to consult with others in their organizations on June 17. At this point, CFK was so worried by the massive pro-farm turnouts in the streets on the evening of the 16th and by reports of increasing dissension in the peronist ranks that she reportedly decided the impasse could not continue and made the decision to send the issue to congress and to go forward with the public statements and rally designed to bolster her position. She reportedly chose the congress option because it would provide the legitimacy of another democratic institution to bless the tax decision.

¶10. (C) This decision would indicate that the relative moderates in the government, at least temporarily, carried the day. That "progress," however, was immediately tarnished by the bellicose rally on June 18 that resulted in the farm groups extending their lockout. And our sources say, there is no certainty that the more moderate position will hold, including among the relative moderates close to CFK, including Alberto Fernandez and Carlos Zannini. Nestor Kirchner and his close supporters have not given up their hardline orientation, and they have their counterparts in the farm groups. Much will depend on the handling and progress of the retenciones legislation through the congress and, of course, unpredictable events on the ground. As of 100 days into this dispute, there is much more evidence of irresponsibility on both sides, than of the good sense and wise leadership that could end the dispute.

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